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E.O. 12356: DECL:ODAR
TAGS: EPET, PTER, ECON, CO
SUBJECT: OIL SECTOR UNDER SEVERE GUERRILLA ATTACK

REFS: (A) BOGOTA 809, (B) BOGOTA 791, (C) BOGOTA 527,
(C) 87 BOGOTA 1633B, (D) 87 BOGOTA 15749

1. ON JANUARY 28, [REDACTED] MAJOR US PETROLEUM COMPANIES OPERATING IN COLOMBIA EXPRESSED GRAVE CONCERN ABOUT UNPRECEDENTED ESCALATION OF GUERRILLA ATTACKS ON OIL SECTOR PRODUCTION, TRANSPORT AND REFINERY, AND EXPLORATION OPERATIONS. OF NOTE IN THE CURRENT ATTACKS ARE THE FIRST EVER DESTRUCTION OF A DRILLING RIG, AND THE TOTAL PARALYZATION OF THE CANON LIMON OPERATIONS. THE GROUP BELIEVES THE GUERRILLA EFFORT IS COORDINATED AMONG VARIOUS GROUPS AND IS DESIGNED TO DESTABILIZE COLOMBIA PRIOR TO THE MARCH MAYORAL ELECTIONS. TO US, THE COMPANIES FAULTED THE GOVERNMENT FOR ITS WEAK RESPONSE TO THIS SERIOUS CRISIS. ON JANUARY 21, THE COMPANIES WE UNDERSTAND DID HAVE A GOOD MEETING WITH ENERGY MINISTER PERRY AND CAME AWAY FEELING THE GOVERNMENT WILL TAKE ACTION. IN SEPARATE MEETINGS,

[REDACTED] TOLD ENBOFF THAT THEY FEEL THE SECURITY SITUATION IN THE OIL SECTOR HAS DETERIORATED MARKEDLY AND THAT ACTIONS OF GUERRILLA GROUPS ARE COORDINATED. END SUMMARY.

CURRENT PROBLEMS

2. CHARGE, ACTING OCM SPILLANE, AND ECON OFFICER LEMAY MET WITH [REDACTED]

TOGETHER THESE COMPANIES REPRESENT THE BULK OF US INVESTMENT IN THE COLOMBIAN OIL SECTOR.

[REDACTED] ALL FEEL THE SECURITY SITUATION ON FACING THE OIL SECTOR HAS DETERIORATED MARKEDLY DURING THE LAST SEVERAL WEEKS AS HAS THE SECURITY SITUATION IN COLOMBIA IN GENERAL. THEY BELIEVE THEIR OPERATIONS IN COLOMBIA ARE UNDER SIGNIFICANT GUERRILLA THREAT AND THAT THE GOC IS NOT REACTING TO THE PROBLEM WITH SUFFICIENT VIGOR. THEY NOTED THAT THE GUERRILLAS WERE NOT SEEKING TO EXIT THEM PRIOR TO THE ATTACKS AS THEY HAD IN THE PAST.

GUERRILLA EFFORT COORDINATED

3. [REDACTED] SAID THE COMPANIES FEAR THE GUERRILLA ATTACKS REPRESENT A COORDINATED EFFORT OF SEVERAL GROUPS

UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: OSCAR J. OLSON

DATE/CASE ID: 29 OCT 2002 200201334

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DECLASSIFY AFTER: 21 JAN 2013

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BOGOTA 00922 00 OF 04 230949Z THE EJERCITO NACIONAL DE LIBERACION (ELN), THE EJERCITO POPULAR DE LIBERACION (EPL), AND THE FUERZAS ARMADAS REVOLUCIONARIO COLOMBIANO (FARC). ATTACKS ARE TAKING PLACE ALL ALONG THE PIPELINE (E.G. ANYWHERE FROM KILOMETER 10 NEAR THE FIELD, TO KILOMETER 458 NEAR COVENAS) AND IN DIFFERENT AREAS OF THE COUNTRY VIRTUALLY SIMULTANEOUSLY. [REDACTED] EXPLAINED THAT ATTACKS WERE TAKING PLACE IN FARC AREAS, ELN AREAS AND EPL AREAS AT THE SAME TIME. ALL AGREED THAT THE COORDINATED NATURE OF OIL SECTOR ATTACKS INDICATES THE GUERRILLAS HAVE DECIDED TO WORK TOGETHER TO DESTABILIZE COLOMBIAN POLITICS PRIOR TO THE MARCH MAYORAL ELECTIONS.

4. [REDACTED] SAID THAT ATTACKS IN ARAUCA ARE A CASE IN POINT. THE UNION PATRIOTICA IS STRONG IN ARAUCA AND IN A POSITION TO BENEFIT FROM ROYALTY PAYMENTS FROM THE CANON LIMON OPERATIONS. THE UP STANDS TO LOSE POLITICAL CLOUT AS ITS RESOURCE BASE IS DIMINISHED BY THE ATTACKS. THE FACT THAT THE ATTACKS ARE TAKING PLACE INDICATES TO [REDACTED] THAT THE FARC HAS, AT A MINIMUM, BLESSED ELN OPERATIONS IF IT IS NOT ACTIVELY PARTICIPATING. [REDACTED] POINTED OUT THAT THE BP RIG DESTROYED BY THE ELN WAS DEEP IN FARC TERRITORY (SEE BOGOTA 791). ELN PROPAGANDA LEFT AT THE SITE CONTAINS AN ELN THREAT TO CLOSE DOWN ALL FOREIGN OIL SECTOR OPERATIONS IN COLOMBIA AND TO KEEP CANO M LIMON OIL IN THE GROUND.

ATTACKS ON OCCIDENTAL OPERATIONS

5. OCCIDENTAL PETROLEUM IN PARTICULAR HAS BEEN HARD HIT BY THE ATTACKS. SINCE JANUARY 12, THE CANON LIMON-COVENAS (CLC) PIPELINE HAS BEEN BLOWN UP AT LEAST 12 TIMES. THE LINE HAS BEEN CLOSED SINCE THE FIRST ATTACK, BUT IS SUPPOSED TO REOPEN JANUARY 21. TEN OF THE ATTACKS HAVE BROKEN THE LINE, WITH 2 CAUSING SEVERE DENTS. NOT ONLY IS THE PIPELINE BEING BLOWN UP FASTER THAN IT CAN BE REPAIRED, BUT EXPORTS WERE STOPPED, AND PRODUCTION AT THE FIELD WAS SHUT DOWN. THIS IS THE FIRST TIME, DESPITE SUSTAINING ATTACKS FOR TWO YEARS, THAT OCCIDENTAL HAS HAD TO SUSPEND EXPORTS FROM THE COVENAS TERMINAL AND STOP PRODUCTION AT THE FIELD ITSELF. BECAUSE THE PIPELINE FEEDS THE GOC'S CARTAGENA REFINERY, IT IS POSSIBLE THAT THE GOC WILL HAVE TO IMPORT BOTH CRUDE OIL AND GASOLINE IF IT IS TO MEET NORTH COAST DEMAND FOR PETROLEUM PRODUCTS. ENVIRONMENTAL DAMAGE IN SOME AREAS IS REPORTED TO BE VERY SERIOUS.

6. [REDACTED] FELT THAT GUERRILLA TACTICS HAD IMPROVED SOMEWHAT AS WELL. MORE ATTACKS WERE RESULTING IN BREAKS IN THE PIPELINE RATHER THAN DENTS. DURING 1986 AND 1987, MOST ATTACKS RESULTED IN DENTS. THE EXPLOSIVE OF CHOICE REMAINS DYNAMITE, MAINLY BECAUSE THE GUERRILLAS APPEAR TO HAVE LARGE STOCKS. [REDACTED] NOTED THAT IN ONE ATTACK ON A CEMENT FACTORY NEAR MEDELLIN (SEE 87 BOGOTA 1633B), THE GUERRILLAS WALKED AWAY WITH 4000 POUNDS OF DYNAMITE FROM A TOTAL STOCK OF 10,000 POUNDS.

ECONOMIC IMPLICATIONS OF ATTACKS

7. THE ATTACKS HAVE SERIOUS ECONOMIC IMPLICATIONS. OF A TOTAL OIL PIPELINE TRANSPORT CAPACITY OF 400,000 BPD, THERE ARE CURRENTLY ONLY 50,000 BPD FLOWING. THIS RATE OF FLOW, COUPLED WITH HIGH STOCKS OF BOTH CRUDE AND PRODUCTS, WILL KEEP CENTRAL COLOMBIA SUPPLIED FOR THE NEAR FUTURE BUT NOT MUCH MORE. THE SITUATION ON THE NORTH COAST IS MORE PRECARIOUS, WITH STOCKS APPARENTLY BEING DEPLETED. IF THE GUERRILLAS CONTINUE TO ATTACK

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PRODUCT LINES, AS THEY DID IN THE ATTACK IN THE BARRANCAEBERMEJA AREA REFINERY (SEE 07 BOGOTA 15749), THEY COULD CREATE SEVERE SHORTAGES OF PETROLEUM PRODUCTS IN COLOMBIA'S MAJOR CITIES WITHIN A MATTER OF ABOUT 10 DAYS. IF ATTACKS ON BULK PLANTS TAKE PLACE SIMULTANEOUSLY, THE EFFECT WOULD BE SPEEDED. IF THE REFINERIES ARE ATTACKED, THE COST OF IMPORTING PETROLEUM PRODUCTS WOULD BE ENORMOUS AND WOULD HAVE DAMAGING EFFECTS ON COLOMBIA'S BALANCE OF PAYMENTS AND FOREIGN RESERVES.

8. FOREIGN INVESTMENT WILL PROBABLY BE HARMED BY THE ONGOING ATTACKS... AS [REDACTED] POINTED OUT, IT IS HARD TO CONVINCE US CORPORATE HEADQUARTERS THAT INVESTMENT IN COLOMBIA IS LIKELY TO PAY OFF, ESPECIALLY IF YOU NEED TO BUILD A NEW PIPELINE OR INVEST IN EXPLORATION IN REMOTE AREAS. IN A MORE GENERAL SENSE, ANY DETERIORATION OF THE SECURITY SITUATION WILL LEAD TO A DECLINE IN INVESTMENT FROM BOTH FOREIGN AND DOMESTIC SOURCES.

OTHER POTENTIAL TARGETS AND IMPLICATIONS

9. AFTER REVIEWING CURRENT PROBLEMS, THE DISCUSSION TURNED TO OTHER POTENTIAL EASY TARGETS WHOSE DESTRUCTION WOULD CAUSE SEVERE REGIONAL AND/OR NATIONAL ECONOMIC PROBLEMS.

[REDACTED] POINTED TO THE NORTH COAST NATURAL GAS PIPELINE NETWORK. HE SAID THAT ONE PIPELINE FEEDS ALL THE NORTH COAST ELECTRICAL PLANTS. IF IT IS DESTROYED VIRTUALLY ALL THE NORTH COAST WOULD BE WITHOUT ELECTRICITY FOR AN EXTENDED PERIOD. DRILLING RIGS ARE ANOTHER EASY TARGET. THE DESTRUCTION OF THE BRITISH PETROLEUM RIG IS A NEW WRINKLE THAT BODES ILL FOR THE FUTURE. THAT ATTACK REPRESENTS THE FIRST TIME THAT THE GUERRILLAS HAVE DESTROYED A RIG AND IS SEEN BY THE COMPANY PRESIDENTS AS A MAJOR ESCALATION.

18. THE GOC'S LARGELY UNPROTECTED REFINERIES PRESENT ANOTHER TEMPTING TARGET. ALTHOUGH USC-PROVIDED COURSES ON PIPELINE AND REFINERY SECURITY MADE THE LACK OF SECURITY CLEAR TO SENIOR ECOPETROL MANAGEMENT, LITTLE HAS BEEN DONE TO CORRECT THE SITUATION. IF THE REFINERIES ARE DAMAGED OR DESTROYED, THE GOC WOULD BE FORCED TO IMPORT LARGE QUANTITIES OF PETROLEUM PRODUCTS, PRINCIPALLY GASOLINE, AT HIGH COST TO THE ECONOMY. THE GUERRILLAS COULD ALSO ATTACK THE PRODUCT PIPELINES EXITING REFINERIES LEAVING MAJOR AREAS OF THE COUNTRY WITHOUT FUEL. FINALLY, THE BULK PRODUCT DISTRIBUTION CENTERS RUN BY ECOPETROL AND A NUMBER OF PRIVATE COMPANIES COULD BE ATTACKED. THEIR DESTRUCTION WOULD CAUSE REGIONAL FUEL SHORTAGES.

GOC RESPONSE SEEN AS INADEQUATE

11. THE COMPANY [REDACTED] DO NOT SEE THE GOC'S RESPONSE TO THE CURRENT WAVE OF ATTACKS AS ADEQUATE. [REDACTED] NOTED THAT ALTHOUGH THE MILITARY PRESENCE IS HIGH ALONG THE CLC PIPELINE, THE TROOPS ARE NOT PATROLLING AT NIGHT WHEN THE ATTACKS GENERALLY TAKE PLACE. [REDACTED] NOTED THAT THE MILITARY APPEARS UNWILLING TO TAKE THE FIGHT TO THE GUERRILLA UNTIL THEY FEEL THEY CAN WIN. THAT WILL NOT OCCUR UNTIL EQUIPMENT SHORTAGES ARE ALLEVIATED.

[REDACTED] BELIEVE THAT THE GOC HAS REIGNED IN THE MILITARY PRIOR TO THE MARCH ELECTIONS. REGARDLESS OF WHOSE POINT OF VIEW IS ACCEPTED, THE MILITARY IS NOT SEEN AS EFFECTIVE IN PURSUING AND PUNISHING THE GUERRILLA UNITS RESPONSIBLE FOR RECENT ATTACKS.

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12. THE MEETINGS WITH [REDACTED] TEND TO CONFIRM THE FEELINGS OF THE [REDACTED] [REDACTED] IS NOT AT ALL SANGUINE ABOUT PROSPECTS FOR THE PETROLEUM SECTOR IN 1988. HE EXPECTS THE ATTACKS TO CONTINUE, IF NOT TO WORSEN. ECOPETROL ALSO FACES LABOR NEGOTIATIONS IN 1988 THAT WILL BE VERY DIFFICULT. [REDACTED] FEELS THAT A NUMBER OF THE SENIOR UNION LEADERS ARE NOT ONLY GUERRILLA SYMPATHIZERS, BUT ACTUALLY COMANDANTES. [REDACTED] BELIEVES THE KILLING OF MANUEL GUSTAVO CHACON IS E; BOGOTA 0091 WAS STAGED BY THE LEFT IN ORDER TO CREATE UNREST. [REDACTED] SAID HE FELT CHACON WAS A "SACRIFICIAL LAMB" USED TO START UNREST IN BARRANCAEBERMEJA, BUT HE ALSO NOTED THAT CHACON HIMSELF WAS KNOWN TO HAVE MILITARY TIES. [REDACTED] NOTED CRYPTICALLY THAT THE BARRANCAEBERMEJA REFINERY CAME UNDER MILITARY CONTROL DURING THE UNREST. [REDACTED] NOTED THAT THE REFINERY HAS SINCE BEEN MILITARIZED. [REDACTED] NOTED THAT ECOPETROL IS WORKING CLOSELY WITH THE MILITARY TO PROTECT THE PIPELINE. THE DIFFICULTY IS THE LENGTH OF THE LINE. HE DOES NOT FEEL LACK OF EFFORT IS A PROBLEM.

EMBASSY COMMENT

13. THE RECENT WAVE OF GUERRILLA ATTACKS ON THE PETROLEUM SECTOR IS FAR WORSE THAN ANYTHING THAT HAS OCCURRED IN THE PAST. DURING THE HEIGHT OF GUERRILLA ATTACKS ON THE CLC PIPELINE DURING 1986-7, THE LINE WAS GENERALLY NOT DOWN FOR MORE THAN A FEW DAYS A MONTH. THE GUERRILLAS GENERALLY ALLOWED PUMPING TO BEGIN ONCE REPAIRS WERE COMPLETED AND EXPORTS WERE NOT HARMED. CURRENTLY THE LINE IS BEING BROKEN AT A RATE FAR EXCEEDING ABILITY TO REPAIR IT. THAT ECOPETROL IS TODAY IN CHARGE OF REPAIRS PROBABLY DOES NOT MAKE MATTERS EASIER, BECAUSE ITS EXPERTISE DOES NOT EQUAL THAT OF OCCIDENTAL AND SHELL.

14. THE POSSIBLE EFFECT OF LOST EXPORTS COULD PLACE THE GOC IN A VERY DIFFICULT POSITION REGARDING ITS INVESTMENT AND SPENDING PLANS FOR 1988. THE GOC KNOWS THAT IT DOES NOT HAVE ENOUGH RESOURCES (INCLUDING CONTRACTED FOREIGN DEBT) TO FUND ITS ERADICATION OF POVERTY PLANS. THE GOC ASSUMED THAT IN ADDITION TO TAX AND DEBT RESOURCES, IT WOULD RECEIVE SIGNIFICANT TRANSFERS FROM ECOPETROL PROFITS FOR USE IN THE VARIOUS PLANS. ECOPETROL'S PROFITS COME LARGELY FROM CANON LIMON EXPORTS AS DO A FAIR SHARE OF GOC EXPORT TAX EARNINGS.

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18. LUCKILY WE ARE NOT YET AT THE POINT WHERE THE GOC WOULD HAVE TO CHOOSE AN ALTERNATIVE DOMESTIC ECONOMIC STRATEGY. ALTHOUGH THE PIPELINE WAS CLOSED AND EXPORTS STOPPED, PIPELINE CAPACITY ALLOWS THE GOC TO MAKE UP LOST EXPORTS--UP TO A POINT. PRIOR TO THE ATTACKS THE LINE WAS CARRYING 285,000 BPD, MOST OF WHICH WAS EXPORTED. IN DOLLAR TERMS, THIS REPRESENTS A DAILY LOSS OF ROUGHLY 3.1 MILLION DOLLARS, OR 18.5 MILLION IN EXPORT LOSSES SINCE THE JANUARY 12 ATTACK. TOTAL PIPELINE CAPACITY IS ABOUT 250,000 BPD. THE PRODUCTION LOST EACH DAY THE LINE IS DOWN TAKES 4 DAYS TO RECOVER. THE TANKER LOADING FACILITY AT COVEHAS, ASSUMING SHIPS ARE AVAILABLE, COULD LOAD TWO MAJOR VESSELS AT A TIME AS A MEANS OF RECAPTURING LOST EXPORTS. IF THE GUERRILLAS CAN KEEP THE PIPELINE DOWN OR NEARLY DOWN FOR 5-6 MONTHS OF THE YEAR, REAL EXPORTS ARE LOST BECAUSE DOWNTIME CANNOT BE MADE UP BY UTILIZING EXCESS CAPACITY.

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